Weekly Economic Review

Home building on the rise

Housing Starts

Multi-family starts lead again

August housing starts in Alberta were 41,100 (annualized), back up after a dip in July (Chart 1). Year-to-date Alberta housing starts were 39,700, an increase of 12.2% over the same period last year. The strength in housing starts continues to stem from urban multi-family dwellings, specifically urban apartment starts which were up substantially from August 2013 and last month. Housing starts in both Edmonton and Calgary were up by more than half from August 2013.

National housing starts fell to 192,368, the lowest level since March. Weakness was concentrated in Eastern Canada, particularly in Ontario, where starts fell sharply.

Building Permits

Solid growth in residential permits

The value of building permits issued in Alberta was $1.7 billion in July, up 4.5% from July 2013. After declining in the first quarter, both residential and non-residential residential permit values have bounced-back smartly (Chart 2). Residential permits were up 14.2% y/y, with much of the strength stemming from single-attached and apartment buildings. Non-residential building permits remained elevated after spiking in May and June, but were still down from July 2013 values, which were driven higher by permits for large office towers in Calgary. Commercial permits dipped in July, after more than doubling between January and June and were up 4% year-to-date.

New Housing Price Index

Calgary has largest gain

The Alberta New Housing Price Index (NHPI) continues to increase with July's index up 3.3% y/y. The cost of land increased 2.0% y/y, while non-land costs, which include building costs, increased 3.9% y/y. Prices in Calgary were the driving factor increasing 6.9% y/y in July (Chart 3) and continuing a trend of high growth that has persisted since early 2013. Edmonton continues to lag with the NHPI falling 0.1% y/y, and still just barely higher than in early 2010.

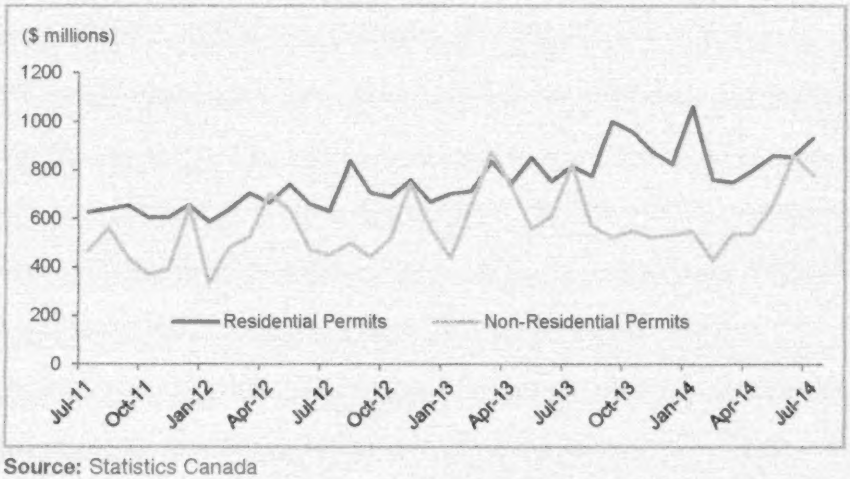
Chart 1: Steady growth in housing starts.

Monthly housing starts and 6-months moving average (annualized)

Source: Canada Mortgage and Housing Corporation

Chart 2: Building permits pick up

Residential and non-residential building permits (3-month moving average)



Source: Statistics Canada

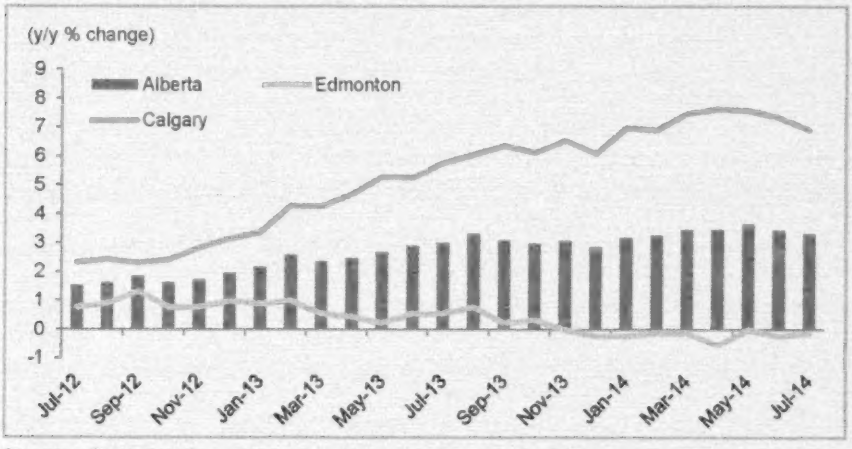
Nationally, the NHPI was up 1.4%, led by Alberta among the provinces and Calgary among the major cities.

Supply of Crude Oil

Producers benefit from higher prices in June

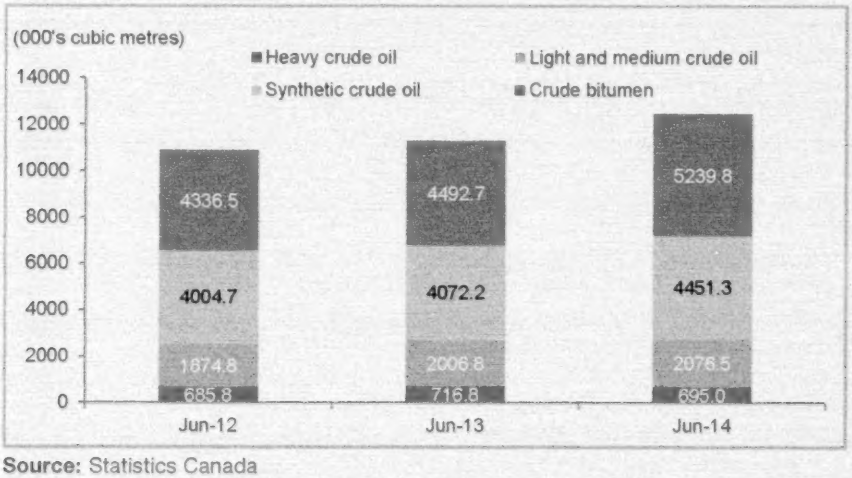
Alberta's crude oil production swelled 10.4% y/y in June as bitumen and synthetic production expanded well above last year's levels (Chart 4). The 16.6% increase in bitumen and 9.3% increase in synthetic crude production coincided with a month of elevated prices. The North American benchmark oil price, West Texas Intermediate (WTI), averaged $105.79 in June, while the price of Western Canada Select (WCS), an Alberta benchmark price for heavy oil, averaged $82.73, 14.8% above the same month last year. Light & medium crude production increased 3.5%, more than offsetting a 3.0% decrease in heavy crude. Alberta's crude production has increased 7.7% year-to-date.

Chart 3: Calgary pulls up Alberta NHPI growth
Growth in NHPI



Source: Statistics Canada

Chart 4: Total crude oil supply expands
Alberta production of crude oil by grade



Source: Statistics Canada

Canadian Cultural GDP

New measures of cultural activities

For the first time, Statistics Canada is providing data for output, Gross Domestic Product (GDP) and employment associated with Canadian sports and cultural activity. In 2010 (the latest available), cultural activities contributed $47.8 billion (current dollars) to Canadian GDP, representing 3.1% of the total. There were 647,300 jobs in cultural activities, which is 3.7% of all employment. Of the various cultural domains measured, GDP was largest for audio-visual and interactive media at $14.8 billion, followed by visual and applied arts at $10.2 billion and written and published work at $10.0 billion.

National Balance Sheets

Modest gain in Canadian net worth

National net worth increased by 0.6% to $7.9 trillion in the second quarter of 2014. The net worth position reflects a 1.8% increase in non-financial assets. Household net worth increased by 2.3% in the second quarter as higher home prices increased the value of real estate. Households became more leveraged as household debt increased faster than incomes causing the debt-to-disposable income ratio to increase to 163.6%. Despite the increased leverage, the debt service ratio (interest payments as a proportion of disposable income) fell to 6.9% as consumer interest rates drifted lower in the second quarter.

Contact

Warren Kirkland 780.427.8845

Please see the *Alberta Economy- Indicators at a Glance* for a snapshot of Alberta indicators.